NEWS RELEASE

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FOR IMMEDIATE RELEASE
December 20, 2005

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CALIFORNIA STATE TREASURER ANGELIDES URGES GOVERNOR, LEGISLATURE TO ADOPT SMART INVESTMENT STRATEGY FOR CALIFORNIA'S FUTURE

Treasurer Calls for Comprehensive, Fiscally Sound State Investment Infrastructure Plan That Expands Economic Opportunity, Preserves the Environment, and Protects Schools, Colleges, and Kids

SACRAMENTO, CA – California State Treasurer Phil Angelides today called on Governor Schwarzenegger and the Legislature to adopt a comprehensive, fiscally sound state infrastructure investment plan that lays down the foundation for California's future economic prosperity. In a new report, *Smart Investments 2006: Five Keys to Smart Investments in California's Future*, the Treasurer outlined five principles to guide the development of any such plan and to ensure that state investments expand economic opportunity, preserve the environment, and protect California's schools, colleges, and children.

"We must invest in our state's infrastructure and we must do it the right way," said Angelides. "California's future success depends on making smart and prudent investments today in educating our people and providing the infrastructure to sustain the state's economic prosperity and quality of life in the decades ahead."

The release of the Treasurer's report comes as Governor Schwarzenegger and the Legislature get ready to consider multi-billion dollar bond measures to finance infrastructure projects throughout the state. The renewed debate over infrastructure investment comes more than six years after Angelides launched his *Smart Investments* initiative, which called for "intelligent investment of…public resources in a manner that supports environmentally respectful, well-planned growth and promotes equality of opportunity."

"As the state embarks on a renewed discussion of its infrastructure needs, it is critical to put together a comprehensive, fiscally sound investment plan that is environmentally responsible and expands opportunity for all Californians," Angelides added. "It is also critical that any such plan be adopted in the context of a truly balanced budget."

Smart Investments 2006 outlines five principles to guide investments in the state's infrastructure. The principles are:

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- **Deliver on promises made.**
  A critical component of any infrastructure plan must be for the state to accelerate the delivery of the $17.1 billion worth of bond-funded state projects and programs that have already been approved by the Legislature and the voters but not built or completed, and to restore the $3.5 billion that has been diverted from transportation projects to cover General Fund deficits.

- **Make a comprehensive, fiscally sound plan**.

  As it launches a new round of infrastructure investment, California needs a comprehensive plan that weighs our competing needs, respects taxpayer dollars, improves the environment, and expands economic opportunity.

  In 1999, the Legislature passed AB 1473, which required the Governor to produce an annually updated five-year infrastructure plan as part of the budget. The prior administration delivered five-year infrastructure plans in both 2002 and 2003. The Schwarzenegger Administration failed in both 2004 and 2005 to provide the legally required plans, and has not released any comprehensive overview of the state's infrastructure needs or assessment of infrastructure priorities.

- **Protect our schools, our colleges and our kids.**
  California must ensure that any significant infrastructure plan will not crowd out investment in our children's future. Bonds are not a free source of infrastructure dollars. Every new bond increases state debt and the amount the state must budget for debt service. California cannot afford to add recklessly to its General Fund debt at a time when the state continues to have a structural budget deficit and is failing to adequately invest in the state's highest priority: educating our children to give them the skills and knowledge to compete in the global economy. To protect education and other critical investments and services, a new infrastructure program must have a fiscally responsible plan to pay for it and must be adopted in the context of a truly balanced budget.

- **Make a plan that works for taxpayers and on Wall Street.**
  Any large bond program California undertakes must be smart and fiscally prudent. It must come with a long-term infrastructure plan that calls for a sensible strategy for issuing debt. It must fund vital infrastructure projects without unreasonably burdening the General Fund with crippling debt. It must not flood the market with bonds, driving up interest costs for taxpayers. And, as noted above, it must be accompanied by a plan for a truly structurally balanced budget.

- **Make smart investments**
  California must recognize that how we invest is just as important as how much. Our future economic strength is in no small part dependent on the quality of our environment and the continued attractiveness of California not only as a place to locate a business, but also as a good place to work and live. Sprawling growth patterns that accelerate environmental degradation, erode our economic competitiveness, and exacerbate the widening gap in economic opportunity among our residents threaten California's future success.

> To that end, any infrastructure investment plan must: invest to support livable communities, sustainable development, and sound environmental practices that strengthen the economy; re-invest in at-risk communities to reverse a dangerous trend toward "two Californias"; make investments that are cost-effective and yield a fair return on investment to sustain California's economic growth; and rely on strong regional planning to meet objectives.

Since 1999, Treasurer Angelides' *Smart Investments* initiative has directed more than $24 billion in state and public pension fund investments to spur economic progress in California communities, while at the same time curbing sprawl and promoting sustainable growth patterns that will benefit the state's economy and environment over the long term. Under this nationally acclaimed initiative, the state's pension and investment funds have been invested in California's urban neighborhoods, earning positive financial returns and expanding opportunity in communities that have historically been overlooked. Also, under the initiative, the award of state funding for a variety of purposes - from affordable housing to business expansion - now takes into account sustainable development goals, such as energy efficiency, location in community revitalization areas, and proximity to transit, schools, and parks.

To read *Smart Investments 2006: Five Keys to Smart Investments in California's Future*, visit http://www.treasurer.ca.gov/publications/smartinvest/dec2005.pdf

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